

JUSTIFICATION SHEET

FINAL

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING EMPLOYMENT SECURITY.

PURPOSE: To provide temporary tax relief to Hawaii's employers by lowering the maximum taxable wage base from \$32,300 to the federal minimum of \$7,000, for calendar years 2005, 2006, and 2007.

MEANS: Amend sections 383-61, Hawaii Revised Statutes.

JUSTIFICATION: Hawaii's unemployment insurance system automatically increases contribution and benefit levels. For example, in 2001, Hawaii's maximum weekly benefit amount was \$383 dollars. In 2002, the maximum weekly benefit rose to \$395 dollars and in 2003, it again rose to \$407 dollars. The current maximum weekly benefit amount is \$436 dollars.

Hawaii's low unemployment rate and strong job growth has helped the trust fund balance grow to approximately \$388 million. In December 2003 the fund balance was \$342,045,329, with \$123,598,987 paid out in benefits. The total amount of benefits paid out for 2004 was approximately \$104 million and it is estimated that total benefit payments will decrease to \$90 million for 2005, \$92 million in 2006, and \$93 million in 2007. With these estimates, the trust fund will have a projected balance of \$554 million dollars on December 30, 2007.

While it is important to maintain a healthy unemployment insurance trust fund, this Act is intended to ensure tax savings is realized by Hawaii's employers over the next three years, to help stimulate small-business growth and provide immediate

LBR-09(05)

economic prosperity that will give Hawaii's employers more money to create new jobs, expand benefits or provide overdue pay raises to Hawaii's working population.

This Act does not decrease benefits, nor does it impede annual increase in benefits and does not place the unemployment trust fund in jeopardy. It simply seeks to reward Hawaii's businesses who have ensured Hawaii's strong economic growth through extraordinary world events (SARS, War in Iraq, and 9-11) and help to provide the resources necessary to further stimulate the economy.

Impact on the public: This tax relief will help small-business growth and provide immediate economic prosperity that will give Hawaii's employers more money to create new jobs, expand benefits or provide overdue pay increases to their employees.

Impact on the department and other agencies: The unemployment insurance trust fund is anticipated to decrease from \$387 million to \$342 million from 2005 to 2007.

GENERAL FUND: None.

OTHER FUNDS: The unemployment insurance trust fund is estimated to decrease from \$387 million to \$342 million from 2005 to 2007.

PPBS PROGRAM
DESIGNATION: LBR-171.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: Upon approval.